

# EXHIBIT B

(TEXT FOR FINAL APPROVAL BY THE HOUSE)  
(JUNE 23, 2017)

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GOVERNMENT OF PUERTO RICO

18<sup>TH</sup> Legislative Assembly

1<sup>st</sup> Ordinary Session

HOUSE OF REPRESENTATIVES

**House Concurrent Resolution 188**

JUNE 6, 2017

Presented by Representatives *Méndez Núñez, Torres Zamora, Rodríguez Aguiló, Hernández Alvarado, Alonso Vega, Aponte Hernández, Banchs Alemán, Bulerín Ramos, Charbonier Chinaea, Charbonier Laureano, Del Valle Colón, Franqui Atilés, González Mercado, Lassalle Toro, Lebrón Rodríguez, Mas Rodríguez, Meléndez Ortiz, Miranda Rivera, Morales Rodríguez, Navarro Suárez, Pagán Cuadrado, Parés Otero, Peña Ramírez, Pérez Cordero, Pérez Ortiz, Quiñones Irizarry, Ramos Rivera, Rivera Guerra, Rivera Ortega, Rodríguez Hernández, Rodríguez Ruiz, Santiago Guzmán, Soto Torres and Torres González*

Concerning the Committee for Treasury, Budget, and for Puerto Rico Oversight, Management, and Economic Stability “PROMESA”

**JOINT RESOLUTION**

To allocate, under the custody of the Office of Management and Budget, the amount of three hundred ninety million, four hundred eighty thousand dollars (\$390,480,000) for payment of pensioners in the Central Government and Judiciary Retirement Systems and the Teachers’ Retirement System, arising from the sale of assets or available funds from the Central Government and Judiciary Retirement System and the Teachers’ Retirement System, which will form part of the Consolidated Budget charged against the General Fund for Fiscal Year 2017-2018; to order the Retirement Systems to sell their assets and transfer the net cash proceeds or any available fund into the Treasury Secretary’s account; and to authorize the Treasury Secretary to receive and record [such amounts] as part of the General Fund for Fiscal Year 2017-2018; and for other related purposes.

#### STATEMENT OF LEGISLATIVE INTENT

The Recommended Budget for Fiscal Year 2018 involved new challenges and changes throughout its reformulation process. First, in passing Executive Order 2017-005, we adopted a Zero-Based Budget. This budgetary method requires Government agencies and instrumentalities to carefully evaluate and justify projected expenses, thereby ensuring fulfillment of their mission and maintaining the quality of services provided. Moreover, by implementing the Zero-Based Budget we ensure that agencies will record accounting entries correctly, by assigning such entries where they actually belong.

The Recommended Budget for Fiscal Year 2017-2018 reflects reductions in payroll and operating expenses pursuant to current regulations and the Fiscal Plan. It does, however, contain an allocation for payment of pensions for retirees in the Central [Government] and Judiciary Retirement System and in the Teachers' Retirement System, with funding to come from various sources, including the sale of assets from the Central [Government] and Judiciary Retirement System. The present measure allows for allocation, under the custody of the Office of Management and Budget, of the amount of three hundred ninety million, four hundred eighty thousand dollars (\$390,480,000) for payment of pensioners in the Central Government and Judiciary Retirement Systems and the Teachers' Retirement System, arising from the sale of assets or available funds from the Central Government and Judiciary Retirement Systems and the Teachers' Retirement System.

Several attempts were made in the past to reform the three Retirement Systems. Nevertheless, these measures were unsuccessful and ultimately insufficient, which has led to a lack of liquidity and insolvency in these systems. Moreover, given the profound and severe fiscal crisis we are currently experiencing, the Government is prevented from shoring up the three Retirement Systems. This Joint Resolution, therefore, puts forth the pay as you go system as a new method for safeguarding pensions for Government retirees.

#### *THE LEGISLATIVE ASSEMBLY OF PUERTO RICO HEREBY RESOLVES:*

- 1           Section 1. The amount of three hundred ninety million, four hundred eighty thousand dollars
- 2           (\$390,480,000) is allocated, under the custody of the Office of Management and Budget, for payment of
- 3           pensioners in the Central Government and Judiciary Retirement Systems and the Teachers' Retirement
- 4           System, arising from the sale of assets or available funds from the Central Government and Judiciary

1 Retirement System and the Teachers' Retirement System. Such allocation shall form part of the  
2 Consolidated Budget charged against the General Fund for Fiscal Year 2017-2018.

3 Section 2. The Central Government and Judiciary Retirement System and the Teachers'  
4 Retirement System are ordered to sell their assets and to transfer the net cash proceeds, in addition to any  
5 available fund, into the Treasury Secretary's account.

6 Section 3. The Secretary of the Treasury Department is authorized to receive and record as part of  
7 the General Fund for Fiscal Year 2017-2018 all funds arising from the sale of assets or available funds  
8 from the Central Government and Judiciary Retirement System, and from the Teachers' Retirement  
9 System, so that they may be utilized in accordance with Section 1 of this Joint Resolution.

10 Section 4. With the approval of this Joint Resolution, the following is ordered and adopted, as it is  
11 necessary and reasonable:

- 12 1) the General Fund, through the pay as you go system, shall assume any payments that the  
13 three Retirement Systems cannot make;
- 14 2) the three Retirement Systems shall continue to meet their obligations to their  
15 beneficiaries and pensioners by contributing available funds and funds arising from the  
16 sale of their assets to the General Fund;
- 17 3) employer contributions by the Central Government, Public Corporations, and  
18 Municipalities to the Puerto Rico Government Employee Retirement System and to the  
19 Teachers' Retirement System shall be eliminated, given the burden that the respective

1 payments to these systems' pensioners places on the General Fund;

2 4) the obligation to pay the Additional Uniform Contribution shall be eliminated; and

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4 5) the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF) shall  
5 establish and implement all mechanisms necessary so that the Central Government, the  
6 Municipalities, and the Public Corporations may contribute to financing the "pay as you  
7 go" system.

8 The provisions of this Section are approved through the exercise of power accorded to the State  
9 and for the protection of the lives, health, and wellbeing of the People of Puerto Rico during the fiscal  
10 emergency at hand. These are also approved pursuant to the actions required under the scope of the Puerto  
11 Rico Oversight, Management and Economic Stability Act (PROMESA) and the Fiscal Plan approved and  
12 certified by the Financial Oversight Board. These provisions shall therefore take precedence over and  
13 suspend the operation of any other provision that is contrary to them.

14 Section 5. This Joint Resolution shall be known as the "Joint Resolution for Other Allocations for  
15 Fiscal Year 2017-2018."

16 Section 6. This Joint Resolution shall take effect on July 1, 2017.